

Question: Is a CPA license is required to perform “due diligence” activities in KY?

Answer: Generally, no.

During their February 22, 2007 meeting the members of the Board of Accountancy were asked whether the following activities (typically referred to as “due diligence”) associated with the purchase of a company located in KY would require out of state CPA’s working on the project to obtain a KY license. The activities described in the question posed to the Board would consist of a range of services to help the out of state client obtain a full and complete picture of the potential acquisition target’s operations, accounting policies and tax filings. According to the author of the question, the performance of due diligence activities would generally consist of the following:

1. Individual(s) conducting the work could include CPAs licensed in other states.
2. Individuals will perform the due diligence activities on a potential acquisition target that has a location in KY.
3. The client who has engaged the CPA firm to perform these activities is located in another state.
4. The services are typically performed on short notice and on a highly confidential basis.
5. Any report of the activities of the firm will be delivered to the client outside of KY. On rare occasions, the target of the acquisition may also receive a copy of the report at the request of the client that is located outside of KY.
6. The firm does not expect to issue attest reports in connection with due diligence services.
7. The individuals will be in KY for a very short time – typically less than a week.
8. The individuals performing the due diligence activities may verbally identify themselves to others as employees of the firm or hand out business cards stating that they are working for the firm but **will not** use the CPA designation in any way.

Some of the key factors mentioned in this question that lead to the decision that a CPA **would not** be required to obtain a license are:

- A. The client who engaged the CPA firm is located outside of KY;
- B. Any report generated will be provided to the out of state client; and
- C. The out of state CPAs will not hold themselves out as CPA’s.

The amount of time spent in KY and that the activities may be performed on short notice and on a confidential basis are irrelevant.